Connecticut Fund for the Environment

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Energy & Technology Committee
Public Hearing
March 9, 2010

Submitted by: Charles J. Rothenberger, Staff Attorney

In Support of:

H.B. No. 5465, AN ACT CONCERNING GREEN JOBS

Connecticut Fund for the Environment ("CFE") is a non-profit environmental organization with over 6,500 members statewide. The mission of CFE is to protect and improve the land, air and water of Connecticut and Long Island Sound. For more than twenty-five years, CFE has used legal and scientific expertise to bring people together to achieve results that benefit our environment for current and future generations.

Representative Nardello, Senator Fonfara and Members of the Committee, Connecticut Fund for the Environment is pleased to testify in favor of HB 5465, An Act Concerning Green Jobs.

While this bill contains many valuable and worthy policy proposals, I would like to focus my comments on section 5, which authorizes municipalities to adopt Property Assessed Clean Energy ("PACE") programs. It is clear that additional financing mechanisms are essential if Connecticut's energy efficiency efforts are to achieve the breadth and depth of market penetration that is necessary to have a substantial impact. CFE believes that the state should adopt a portfolio of financing mechanisms to achieve significant expansion of energy efficiency retrofit work in the state.

This enabling legislation, allowing municipal property tax financing for energy efficiency and renewable energy improvements to existing buildings and allowing the issuance of municipal bonds to support that work, is a good first step. In addition, Connecticut should investigate opportunities to expand financing through leveraging of federal stimulus dollars, attracting additional private investment and the creation of a statewide revolving loan fund. Given the scale of the challenge, no one pathway is likely to cover the entire available market.

The amount of financing available to invest in efficiency must be greatly expanded to reach more buildings and provide for greater per unit investment. 84% of the state's housing stock was built before 1980 and 45% was built before 1960. Given that these residential buildings alone account for more than 20% of the state's greenhouse gas emissions and that they were built prior to the adoption of any meaningful energy code in Connecticut, we must improve their performance if we wish to reduce emission from the building sector in a meaningful way. Under the current efficiency programs approximately 1.5% of the state's housing stock can access the state's efficiency funds each year and those funds only cover the most basic improvements. At this rate it will take decades to reach a majority of the market and many opportunities will be missed.

If building owners improved the efficiency of their buildings by just 10%, by 2015 the country could reduce GHG emissions by more than 20 MMTCO2 e, equivalent to the emissions of about 15 million vehicles. (based on data from the U.S Dept. of Energy's Energy Information Administration 2003).

This target should be easy to reach with the right investment. A variety of simple, common cost-effective measures can significantly reduce energy demand:

Air sealing (Insulation/window replacement)	20%
Duct Repair and sealing	15%
HVAC equipment upgrade	20%
Lighting and appliance upgrades	10%

An analysis focusing specifically on fuel oil performed by the American Council for an Energy Efficient Economy has found that cost-effective efficiency measures for existing residential buildings can reduce oil consumption by 36% or 209 gallons of fuel oil per year. (Reducing Oil use Through Energy Efficiency: Opportunities beyond cars and light trucks (ACEEE January 2006).

However, these measures involve up-front costs that can deter homeowners from moving forward. PACE programs overcome this barrier by providing low-interest, long-term loans that result in a neutral or positive cash-flow for the homeowner. And these programs are voluntary. Local governments get to decide whether or not to pursue these bonds, and individual property owners decide whether to opt in.

In conclusion, CFE fully supports providing municipalities the authority to adopt PACE financing programs.

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MUNICIPAL ENERGY LOAN PROGRAMS

OBJECTIVE: To expand opportunities to improve the energy efficiency of the state's existing residential and commercial buildings by authorizing municipalities to issue bonds, the proceeds of which may be lent to property owners to finance energy efficiency or renewable energy improvements to their property.

BACKGROUND: A PACE (Property Assessed Clean Energy) bond is a bond where the proceeds are lent to commercial and residential property owners to finance energy retrofits (efficiency measures and small renewable energy systems) and who then repay their loans over a period of up to 20 years via an annual or semi-annual assessment on their property tax bill.

These bond issues can provide longer-term financing than conventional financing, reducing monthly payments, and can offer lower interest rates than conventional financing, in part because the rate is based upon the improved property securing the debt.

Municipal bond financing for energy efficiency retrofits and clean energy improvements began in 2008 with the passage of enabling legislation in California. Since then, enabling legislation to authorize PACE-style municipal financing, has been in adopted in 14 other states (Colorado, Illinois, Louisiana, Maryland, Nevada, New Mexico, Ohio, Oklahoma, Oregon, Texas, Vermont, Virginia, Wisconsin and New York) and is pending in several others.

PACE-style municipal financing programs have also gained attention at the federal level. Congressman Steve Israel (D-NY) has introduced legislation that would provide a 100 percent federal loan guarantee for PACE-style municipal bonds, which would provide substantial credit support for the program and lower interest rates. Municipal energy financing programs are also a key component of Vice President Biden's "Recovery Through Retrofit" strategic plan. Under that plan, the Department of Energy would use Recovery Act funding provided for Energy Efficiency Conservation Block Grant and State Energy Programs to support municipal financing programs.

BENEFITS: The PACE bond market, in combination with federal loan guarantees, has the potential to dramatically accelerate the energy retrofitting of America's building stock. Nationwide, it is estimated that the potential for PACE bonds could exceed $500 billion.

State and Municipal Benefits:
- Creates jobs
- Reduces greenhouse gas reductions and moves us towards energy independence
- No credit or general obligation risk: Obligation is liability of real estate owner
- Low fiscal cost & high probability of success

Property Owner Benefits:
- Eliminates "up-front" cost barrier to investment
- Creates positive cash flow on retrofits (annual savings>cost)
- Lowers energy bills and reduces vulnerability to spikes in energy prices

Connecticut Fund for the Environment and Save the Sound
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